Week beginning 10 August 2026

AUSTRALIA & NEW ZEALAND WEEKLY

Analysis and forecasts for this week's key releases.

In this week's edition:

Economic Insight: Buckle up for some short-term housing turbulence.

The Week That Was: Consumer shows resilience amid housing gloom.

Focus on New Zealand: Plenty of slack in the labour market.

For the week ahead:

Australia: RBA policy decision, Governor Bullock testifying before House of Representatives, dwelling finance approvals, business survey.

New Zealand: inflation expectations, house prices and sales, net migration, manufacturing PMI.

China: current account balance.

Euro Area: industrial production, trade balance, investor confidence.

United Kingdom: Q2 GDP.

United States: CPI, PPI, retail sales, UoM consumer sentiment, NFIB small business optimism, home sales.

Information contained in this report current as at 7 August 2026.

Buckle up for some short-term housing turbulence

Luci Ellis
Chief Economist, Westpac Group

- **Tight monetary policy plus tax changes add up to a powerful combination weighing on the housing market. Credit remains readily available, but demand is weak. The various indicators point to a weaker near-term outlook for prices than the base-case projections we published in late June.**
- **The RBA is expected to keep the cash rate on hold at its August meeting. This is an outworking of the better inflation outlook; the RBA was never likely to overreact to the fourth housing downturn in a decade. Targeting housing prices is not part of the central bank's remit, and most of the softness will be seen as normal policy transmission.**
- **Looking beyond this year, a lower path for interest rates and earlier timing of subsequent rate cuts mean that any housing market downturn is likely to be relatively short-lived – an "air pocket", not a crash.**

Since the Federal Budget in May, alarmist predictions about the housing market consequences of the announced tax changes have become commonplace. Recent interest rate rises, together with these changes, are clearly weighing on housing turnover and prices, leaving both buyers and sellers more uncertain.

As the pandemic experience made clear, when fiscal and monetary policy work together, they make for a powerful combination. The current situation is an example: a tightening of tax policy affecting housing coinciding with tight monetary policy. Given housing is a notably interest-sensitive sector, the conditions are therefore in place for a weaker housing market. Importantly, though, this is not the same kind of policy shock as the prudential policy changes and Royal Commission response of the 2010s. Credit supply is not directly affected and remains readily available.

There are, however, signs that things are turning out a bit weaker than our projections, released in late June. Housing price growth has turned down across all cities, with outright declines for most in the latest month; while we expected prices to move lower, the momentum is running a little ahead of our projections.

How people interpret this weakness is an open question. In recent times, when prices have been expected to fall, consumers have seen this as meaning it is a less bad time to buy a home. This contrasts with the usual historical pattern when strong price growth was seen as heralding a good time to buy.

A slightly-less-bad view of affordability as prices decline is not currently translating to buyer interest, though. The uncertainty around the effects of the tax changes could be inducing some negativity, or at least some divergence of views across the household sector, especially between investors and prospective owner-occupiers. Timely industry data show home loan credit enquiries have declined to levels last seen in late 2022 and are falling at a monthly pace of around 4%. This is broadly consistent with our forecast for turnover to decline by around 20% this year.

Indicators of conditions in the physical market are also weaker. Auction clearance rates have fallen to previous cycle lows in Sydney and Melbourne. Turnover has declined sharply in most jurisdictions, and while new listings are also starting to move lower, they are falling more slowly than sales. As a result, stock on market is rising relative to the flow of sales and turning established housing into more of a "buyer's market". That said, the data also show notable divergences across cities, highlighting that local market conditions matter, and often differ materially.

"The housing market might be entering a short-term 'air pocket' but greater turbulence does not imply a crash. "

While things seem a bit softer than we earlier projected, consider the starting point. In all major cities other than Melbourne, housing prices had run up considerably in recent years. A moderate decline would still leave prices notably higher than a few years ago. As the RBA has pointed out recently, the number of people in negative equity (home value below mortgage balance) is very low, and even a moderate decline in prices will not add much to this figure. While unemployment is forecast to drift up from here, this is mostly a story of job growth failing to keep pace with strong population growth and rising participation, not outright job losses. "Fire sales" by distressed borrowers are therefore unlikely to add downward pressure to housing prices while job prospects for mortgagors remain reasonable.

Meanwhile, the grandfathering of tax changes means that current owners of investment properties have little incentive to sell, while owner-occupiers are also likely to want to stand back and avoid catching the "falling knife". A period of low turnover is likely; this kind of thin market can result in prices being volatile, but it typically lacks the wave of distressed selling that is needed to induce large, self-reinforcing downward price spirals.

RBA will not take fright

The question then becomes how the RBA will respond. Will it see a softer housing market as simply the normal channel of policy transmission, or an additional shock with the potential for a more alarming over-correction? Some of the more dovish perspectives we have heard from customers tilt to the "over-correction" story, but in our view, the RBA was never likely to react strongly to the fourth housing downturn in a decade.

The RBA's mandate relates to inflation and full employment; housing prices are not a policy objective – and in any case, it is not obvious what such an objective would entail. Would a financial stability lens favour gently rising prices to avoid negative equity and loan distress? Or would an affordability lens favour declining prices? There are good reasons why Parliament has not charged the RBA with targeting housing prices, and good reasons why the housing element in the RBNZ's mandate was dropped after a few years.

As RBA officials have been at pains to point out, the Bank does not target housing prices but instead glean information from them. Weak prices tend to induce weak turnover, which contributes to softer economic activity. Lower housing prices can over time induce negative wealth effects on consumption – though any period of decline must be set against earlier run-ups. How the housing market is performing tells the RBA something about how monetary policy is playing through the economy. Some softness is expected when interest rates are high; the question is whether that softness is greater or less than expected. The experience of 2018–19 shows that soft housing markets and weak growth in household incomes can weigh on consumption – and so inflation – more than expected. But recall that was when inflation and interest rates were already subdued, fiscal policy was contractionary and there were no offsetting boosts to demand from infrastructure, data centres, or other forms of investment.

We also note that, since our last published release of housing price forecasts in the late-June Housing Pulse, we have taken out the two RBA rate hikes we previously expected and brought forward the timing of the subsequent rate cuts from February 2028 to August 2027. A period of stability for rates in the near term might be enough to temper the downside risks in housing or even allow for some stabilisation. Whether this plays out will become clearer as we head into the spring selling season.

In addition, earlier rate cuts mean the outlook for 2027 is a bit brighter than before, further supporting the idea that weakness this year is an "air pocket", not a lasting downturn. We will formally revise our housing price forecasts in next week's *Market Outlook*, after the RBA decision. Directionally, though, the story is near-term weakness in 2026, not a downturn stretching into 2027.

Cliff Notes: consumer shows resilience amid housing gloom

Elliot Clarke, Head of International Economics
Ryan Wells, Economist
Illiana Jain, Economist

In Australia, the week kicked off with a gloomy update on the housing market. [Cotality's] nationwide home value index dropped another 0.7% in July, following declines of 0.5% and 0.7% in May and June respectively, leaving prices 1.6% below their March peak. The scale of the correction is broadening across the capitals, with momentum in Brisbane and Adelaide abruptly shifting from gains to losses, while prices in Sydney and Melbourne fall more than 1% per month. The combination of restrictive monetary policy, weak homebuyer sentiment following the Budget and general economic uncertainty makes for a challenging backdrop.

Shifting focus to the consumer, recent readings on household spending point to a degree of resilience. Nominal household spending rounded out the quarter with a 0.8% increase in June, taking the Q2 gain to 1.3%. Just under half of that increase was driven by higher prices (0.6%), with higher volumes (0.7%) accounting for the remainder of the gain – implying slightly higher inflation and slightly lower real spending versus Q1. Gains across household contents, recreation & culture and hospitality point to the potential for improved discretionary spending, however.

Our Q2 Westpac-DataX Consumer Panel – a comprehensive update on income, spending and saving flows across the country – adds useful context. It shows that income growth has trailed spending growth over the past year, prompting households to draw down on savings. However, this drawdown had a relatively robust starting point given the median consumer had rebuilt savings buffers to around 2022 levels prior to the post-pandemic tightening cycle. While conditions remain uneven across the mortgage belt, the aggregate drawdown this year has been relatively modest, suggesting households retain a degree of financial resilience.

Before moving offshore, a final note on trade. June's goods trade data surprised to the upside, recording a surplus of \$1.9bn following May's deficit of \$2.4bn. Gold exports was the primary driver of monthly volatility, although a solid performance from iron ore also contributed to export earnings. For Q2 as a whole, goods trade appears set to detract around ½ppt from GDP growth, most notably due to large increases in fuel and EV imports.

Over in the US, the manufacturing PMI rose 2.3pts to 55.6, its highest level since May 2022, as production jumped 6.3pts to 58.5 and new orders remained firmly in expansionary territory at 56.7. Employment also returned to expansion for the first time in nearly three years. For the services sector, the headline PMI was broadly unchanged at 54.1, but the detail was mixed. New orders lifted 2.1pts to 57.2 and business activity 3.7pts. However, the employment index fell 3.8pts to 47.4, an outright contractionary read.

While a month behind the ISMs, the latest JOLTS job report points to less demand for labour across a number of key services sub-sectors including healthcare (-147k to 1,347k), education (-133k to 1,475k), professional & business services (-71k to 1,304k), and accommodation & food services (-68k to 684k). The only meaningful offset came from transportation & warehousing, which rose 119k to 1,369k reflecting a seasonal pattern. That said, the current job opening rate for the economy overall is consistent with labour demand and supply remaining broadly in balance as opposed to outright declines. Tonight sees the eagerly awaited release of the July employment report.

In China, the RatingDog manufacturing PMI fell 0.8pts to 50.9 in July, its weakest reading in four months. The headline decline was concentrated in production and new orders. Consistent with a soft domestic economy, price pressures eased further, input price inflation slowing to a six-month low and output price growth remaining broadly flat. The services PMI experienced a sharper fall to 50.4 in July, its lowest reading since September 2024. The July decline was primarily driven by weaker growth in domestic new orders. Employment continued to expand, albeit at a slower pace, while business sentiment fell to its lowest level since early 2020. Clearly there is need for pro-active stimulus in scale through the second half of the year.

Finally, in the Middle East, a deal between Iran and Oman over transit through the Strait of Hormuz is reportedly in the final stages of drafting. If implemented, it will allow safe passage for commercial ships. Iran has said, however, that US and Israeli-linked vessels will not be allowed to transit while the US' blockade remains in effect. Whether this stance causes an issue for the implementation of this deal and/or any further progress towards a lasting peace is a question for another day. Market participants continue to take a glass half full view, with Brent oil having traded near USD80 most of this week.

Plenty of slack in the labour market

Kelly Eckhold
Chief Economist NZ

The economy appears to have weathered the Iran war fairly well but has not emerged totally unscathed. Labour market data this week confirms significant excess capacity remains which is helping to restrain inflation pressures. Nevertheless, inflation remains too high, and wage pressures appear sticky, raising questions on how easy it will be to bring inflation back to 2%. The RBNZ will likely need to do more than they currently say to achieve that. Markets seem to agree with that assessment even though the sequencing of OCR hikes beyond September seems murky.

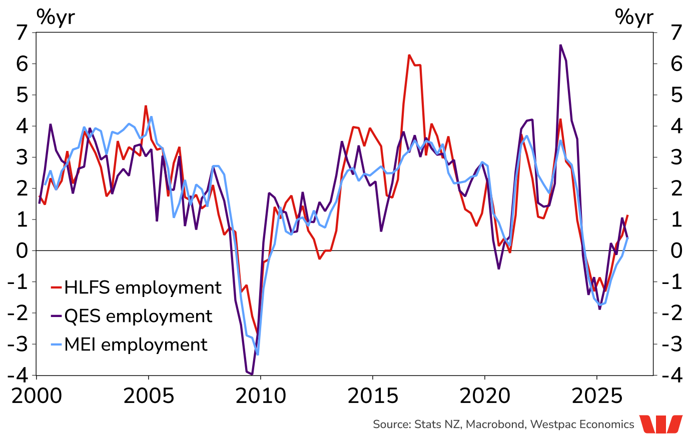
It's been a rougher than ideal five months for the economy. Economic recovery had taken hold from the September quarter of 2025 and delivered three above-trend quarters (averaged) until the Iran war stepped in and interrupted progress. The war saw a reduction and increased volatility in consumer and business sentiment and consumer spending. Increased uncertainty associated with the energy supply situation reasonably saw consumers and businesses retreat into their shells while the shooting was going on.

We can now see that GDP Nowcasts and high frequency activity indicators are consistent with a flat to negative June quarter 2026 growth outcome. Nevertheless, this is a better performance than was feared early in the war when the risks of very high fuel costs and potential supply disruptions were in prospect. Early indicators for September quarter growth look noticeably stronger than the June quarter and suggest a return to growth.

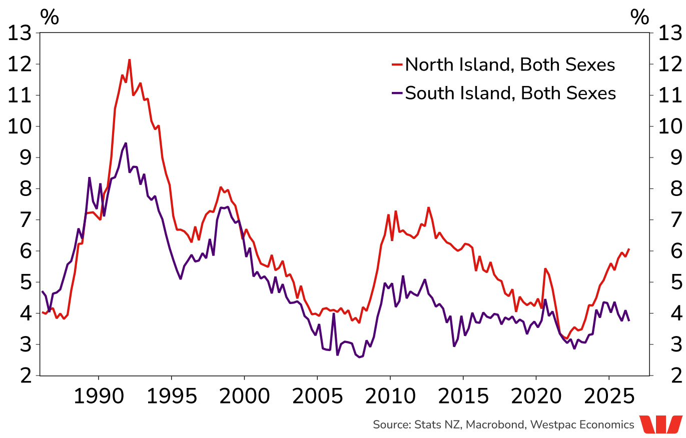
Whether that Q3 growth is above trend remains to be seen. Uncertainty remains high as we go into the sixth month of the Iran war. The Strait of Hormuz remains effectively closed and the entry of the Yemen Houthis into the fray is interrupting alternative Red Sea supply routes. Deals are purportedly on the table but at the time of writing the shooting continues and oil prices are moving up into the mid USD80s again. Recent strength in consumer and business confidence seems fragile and its sustainability will be heavily dependent on whether some kind of Middle East stability can be found. And as noted, prospects there remain very murky. The Government announced this week an extension to the fuel relief package that was initially implemented in March to assist lower income households. Technically, the threshold to withdraw the scheme was close to being met in the last week. But rising fuel costs and high uncertainty meant it was pragmatic for the government to maintain the support for now.

This week's data confirmed that significant slack remains in the labour market. The key signal came from the unemployment rate which rose more than expected to a new cycle high of 5.6%. The RBNZ will likely put the most weight on this observation when determining how much downward pressure excess capacity is exerting on inflation at its still very elevated level.

NZ employment measures



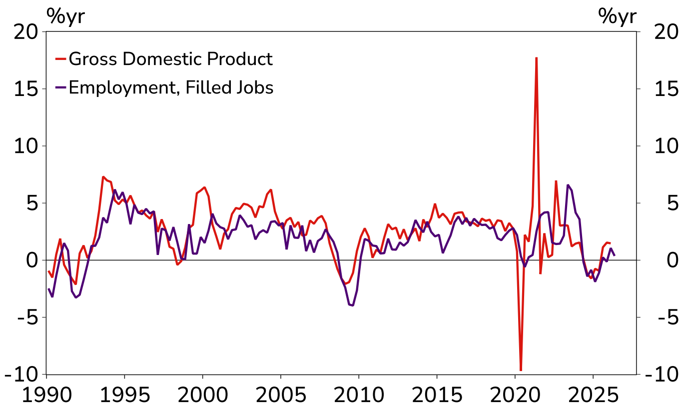
Unemployment Rate – North vs South Island



Interestingly though, the details of the labour market report were messy, and not uniformly consistent with a weak economy view. The official measure of household employment growth and labour force participation surpassed expectations – albeit possibly exaggerated by survey sample error given what we see in other employment measures – continuing a trend seen for a few quarters now. At face value, slack was created through a rise in labour supply that stronger than expected labour demand could not overcome. That's not fundamentally a weak economic story. Employment growth is firmly positive in a 0.4-1.2% y/y range which is consistent with the lift in GDP growth seen since the middle of last year.

We see significant diversity in labour market performance around the country. The South Island, which is more heavily driven by the strong agricultural and tourism sectors, saw a falling unemployment rate which is close to the 10-year average. At the same time the more heavily service sector dominated North Island urban centres were weak and unemployment is almost 2 standard deviations above the 10-year average. Population growth trends likely reflect these divergent performances.

NZ annual GDP growth versus filled jobs growth



Source: Stats NZ, Macrobond, Westpac Economics

Interestingly, wage growth slightly surpassed expectations and looks sticky at 3.1% on an unadjusted Labour Cost Index (LCI) basis. The headline productivity-adjusted LCI growth rate of 2% – less than half of its pandemic peak – is consistent with achieving 2% inflation over the medium term, but as yet labour market slack seems not to have led to sub-2% wage growth. This raises questions on the future direction of wage growth given elevated inflation expectations and reduced labour market slack as the economy further recovers. Firms report a rising proportion of wage demands that reflect cost of living pressures. This tells us the public has noticed elevated inflation and sees it as sufficiently persistent to warrant including in the wage bargaining process. This could be a headwind for the RBNZ to overcome if it hopes to return inflation to 2% in any reasonable timeframe.

This week the RBNZ's Governor commented to the press on policy and the economy. She understandably reiterated her goal of returning inflation to 2%. However, the strategy to achieve this is unclear as the policy strategy at this point is limited to "taking away a little bit of the stimulus". The RBNZ's forecasts are for the OCR to return to their view of long-term neutral levels as opposed to restrictive levels. Hence, it's unclear how this strategy will push core inflation down from the current 2.5-3% level to 2% as the economy recovers.

Disinflation may or may not happen within a reasonable timeframe and could easily be knocked off course by future inflation shocks (for example El Niño driven food price risks).

In all likelihood, more work will be required in time. Historically this has been the behaviour of the RBNZ. Early in the cycle, forecasts often indicate a modest tightening cycle that is scaled up as the cycle progresses. Hence, we remain comfortable with the idea the OCR reaches 4% sometime in 2027.

In the immediate period though, the observation of increased labour market slack asks questions of the cadence of OCR increases to end 2026. A tightening in September remains a strong possibility as we currently forecast. The elevated headline inflation outlook also strongly points to a September OCR increase. However, the case for an October hike remains unclear given the unemployment rate has lifted by more than the RBNZ forecast in May. The MPC can reach a year end OCR of 3% without an October move. We really don't have enough clarity on the MPC's strategy to be sure how meetings beyond September will progress.

There has been a shift away from providing forward guidance in central banks globally. Both the US and Australian central bank governors have shied away from such guidance recently. It's important though for the policy reaction function and strategy to be clear. Doubts have emerged in the US recently about the Federal Reserve's reaction function and strategy to return inflation to 2%. These doubts have impacted on long term interest rates and some measures of policy credibility. We think it will be important that the RBNZ doesn't also slip into the same trap. Hence at some point the RBNZ should clarify how exactly inflation will be returned to target. Hope is not a strategy, but raising the OCR to restrictive levels is a credible approach. The RBNZ will need ultimately to move away from the "removing stimulus" line and be upfront on the path ahead for the OCR through 2027. Perhaps we will hear more in the September Monetary Policy Statement.

Lastly, the election campaign period is now upon us, and the race looks very close. While for much of the year the polls have pointed to a right-leaning coalition being returned to power with NZ First being the kingmaker, the situation is now changing. The Opportunity Party is gaining ground and increasingly looks likely to breach the key 5% threshold. These developments have shifted the calculus and made a left-leaning coalition more likely and has positioned Opportunity as the deciding factor. Hence political uncertainty in on the rise and the future policy mix is in flux. Watch this space!

AUS: RBA Policy Decision (%)

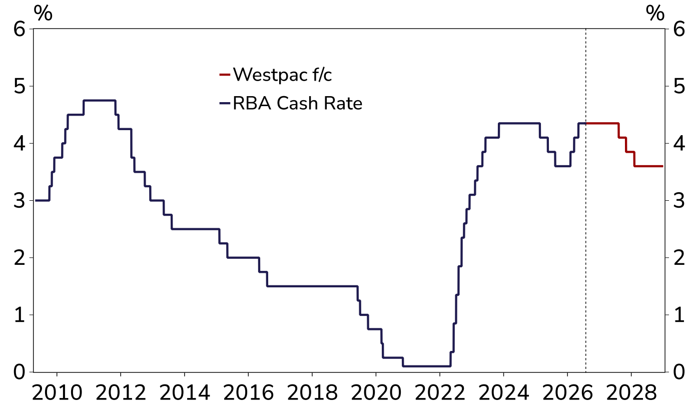
Aug 11, Last: 4.35, Westpac f/c: 4.35
Market f/c: 4.35, Range: 4.35 to 4.35

Westpac expects the RBA Monetary Policy Board (MPB) will keep the cash rate unchanged at 4.35% at its August meeting.

The Q2 CPI came in below our expectations on both a headline and trimmed mean basis. We had highlighted the risks in our preview and in the event, only the downside risks materialised. This is welcome news – the substantial pass-through of higher energy costs seen in the early phase of the Middle East conflict has not been followed up in recent months.

The MPB will likely retain a hawkish posture as it assess the data flow over the coming months. Should the data behave as expected, the MPB can gain confidence that inflation is returning to target under existing policy settings.

RBA to hold in August



Source: RBA, Macrobond, Westpac Economics

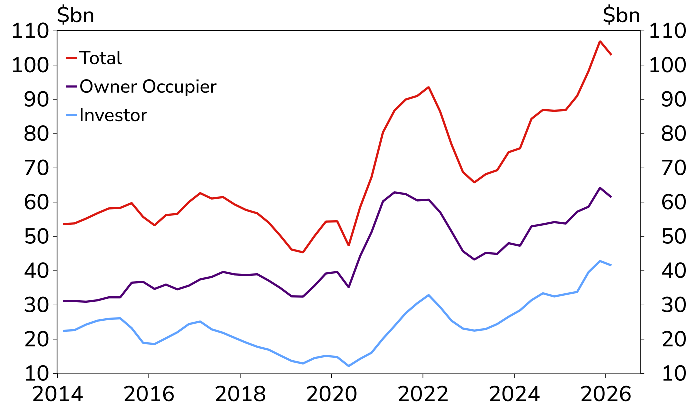
AUS: Q2 Housing Finance Approvals (%qtr)

Aug 14, Last: –3.8, Westpac f/c: –6.0
Market f/c: –4.0, Range: –7.0 to –1.0

The total value of housing finance approvals fell –3.8% in Q1, the largest drop in three years, annual growth slowing to 18.5%yr. The fall was volume-led and slightly more pronounced for owner-occupier than for investors.

We expect a more pronounced 6% decline in Q2. Interest rate rises in March and May, an uncertain near-term economic outlook, and the start of a sharp pull back in investor activity following housing-related tax policy changes announced in the Federal Budget are all at play. Loan enquiries and turnover are down materially, with price declines pointing to lower average loan values. It's unclear how much of the move is captured in Q2 or Q3. We expect the Q2 mix to show investor approvals down 9.7%qtr and owner occupier approvals down 3.5%qtr.

Dwelling Finance Approvals



Source: ABS, Macrobond, Westpac Economics

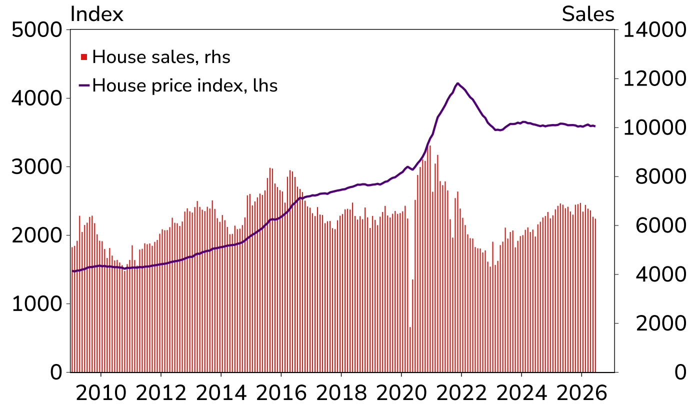
NZ: Jul REINZ House Sales & Prices (%ann)

Aug 13, Sales, Last: –2.9; Prices, Last: –0.8

The housing market softened further in June. House sales were down around 1% in seasonally adjusted terms, adding to a cumulative 9% fall since the start of the year. The REINZ house price index fell by 0.3% for the month and was down 0.8% on a year ago. Fixed-term mortgage rates have risen since the start of this year, in anticipation of the next RBNZ tightening cycle (which is now in motion).

We expect that higher interest rates will continue to weigh on the housing market, leaning against any improvement in incomes as the economy gets back on its feet.

REINZ house sales and prices



Source: REINZ, Macrobond, Westpac Economics

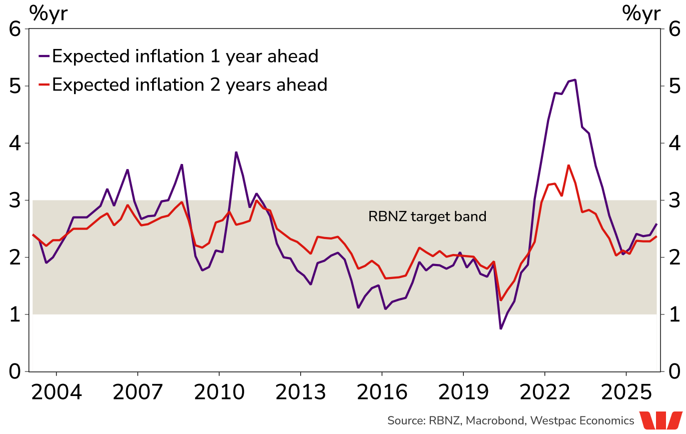
NZ: Q3 RBNZ Survey of Inflation Expectations (%ann)

Aug 13, Inflation Two Years Ahead, Last: 2.53

Inflation expectations are a key focus for the RBNZ right now, with concerns that the oil-related rise in inflation will result in a broader and more enduring lift in pricing behaviour. Expectations already took a step higher in the Q2 survey. Since then, we've seen large swings in oil prices, while overall inflation has risen back up to 4.1%.

We're expecting that the Q3 survey will show another rise in inflation expectations at the closely watched one- and two-year ahead horizons. However, expectations at longer horizons (five and ten years ahead) are likely to be more stable given the start of the RBNZ's tightening cycle.

RBNZ survey of inflation expectations



US: Jul CPI (%mth)

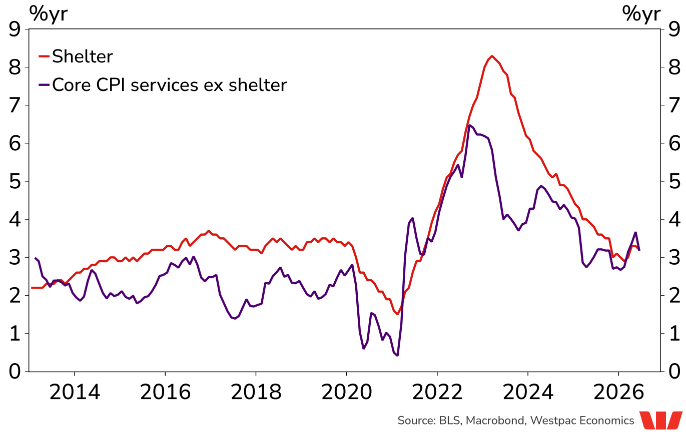
Aug 12, Last: –0.4, Market f/c: 0.1, Westpac f/c: 0.2

June's headline outcome benefitted materially from the month's sharp drop in energy prices as the US/Iran memorandum came into effect. Other components of the inflation basket were benign, with core prices unchanged.

July's print will be boosted by the recommencement of strikes by both Iran and the US, with Brent oil surging back through USD100 late in the month. The remainder of the basket is expected to hold to the modest trend of the first half, with both core and headline inflation expected to print at 0.2%.

In terms of the risks, the market will be watching closely for any signs of secondary effects, particularly in transport services. If these are seen, expect market participants to price in a high chance of a hike by the FOMC in September.

Market watching for second round risks



What to watch

	For	Data/Event	Unit	Last	Market f/c	Westpac f/c	Risk/Comment
Mon 10							
Jpn	Jun	Current Account Balance	¥bn	3968	1514	–	Weakness in net direct investment likely to narrow surplus.
		BoJ Summary of Opinions	–	–	–	–	Minutes from the July meeting.
Eur	Aug	Sentix Investor Confidence	index	–3.1	–2.9	–	Confidence recovery faces ongoing uncertainty.
Tue 11							
Aus	Jul	NAB Business Conditions	index	3	–	–	Conditions sluggish, confidence fragile.
		RBA Policy Decision	%	4.35	4.35	4.35	'Hawkish' hold is expected; updated forecasts also in focus.
US	Jul	NFIB Small Business Optimism	index	97.4	97.3	–	Small firms remain cautious on demand and costs.
	Jul	Existing Home Sales	%mth	–2.4	–1.0	–	Affordability pressures continue to curb turnover.
Wed 12							
US	Jul	CPI	%mth	–0.4	0.1	0.2	Markets watching for second-round risks.
Thu 13							
Aus		RBA Assistant Governor (Fin Mkts)	–	–	–	–	Kent, fireside chat at 10:15am AEST.
NZ	Jul	REINZ House Prices	%yr	–0.8	–	–	Buyer enthusiasm dampened by rising mortgage rates ...
	Jul	REINZ House Sales	%yr	–2.9	–	–	... and an ample supply of homes on the market.
	Q3	RBNZ 2Yr Inflation Expectations	%ann	2.5	–	–	Likely to lift again, consistent with the lift in actual inflation.
Eur	Jun	Industrial Production	%mth	–0.2	0.2	–	Manufacturing activity continues to underperform.
UK	Q2	GDP	%ann	0.6	0.4	–	Growth momentum relatively firm, probably not for long.
US		Initial Jobless Claims	000s	199	203	–	Still at relatively low levels.
	Jul	PPI	%mth	–0.3	0.2	–	Upstream price pressures contained despite oil prices.
		Fedspeak	–	–	–	–	Hammack, Barkin.
Fri 14							
Aus		RBA Governor Bullock	–	–	–	–	Testimony before House of Representatives, 9:30am AEST.
	Q2	Housing Finance Approvals	%qtr	–3.8	–4.0	–6.0	Larger decline anticipated given interest rate rises, uncertain ...
	Q2	Owner-Occupier Approvals	%qtr	–4.3	–	–3.5	... near-term economic outlook and a sharp pull-back in ...
	Q2	Investor Approvals	%qtr	–3.0	–	–9.7	... investor activity following the Budget's tax policy changes.
NZ	Jul	Manufacturing PMI	index	59.7	–	–	Oil fluctuations continuing to impact trading conditions.
	Jun	Net Migration	no.	1860	–	–	Balance turning more positive as outflow of NZers slows.
Chn	Q2	Current Account Balance	US$bn	184.3	–	–	Trade's strength a saving grace amid sluggish domestic growth.
Eur	Q2	GDP	%qtr	0.4	0.4	–	Second estimate to provide more colour.
	Jun	Trade Balance	€bn	–5.0	–	–	Surplus with US shrinking, deficit with China growing.
US	Jul	Retail Sales	%mth	0.2	0.2	–	Consumer spending slowed to a below-trend pace ...
	Aug	Uni. Of Michigan Sentiment	index	55.2	54.1	–	... record-low consumer sentiment skews risks to downside.
	Jun	Business Inventories	%mth	0.3	–	–	Inventory accumulation has picked up in recent months.

Economic & financial forecasts

Interest rate forecasts

Australia	Latest (7 Aug)	Sep–26	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28
Cash	4.35	4.35	4.35	4.35	4.35	4.10	3.85	3.60	3.60	3.60	3.60
90 Day BBSW	4.51	4.45	4.45	4.45	4.25	4.00	3.75	3.60	3.70	3.70	3.70
3 Year Swap	4.54	4.50	4.45	4.40	4.30	4.20	4.10	4.05	4.00	3.95	3.90
3 Year Bond	4.54	4.50	4.45	4.40	4.30	4.20	4.10	4.05	4.00	3.95	3.90
10 Year Bond	5.02	4.95	4.85	4.75	4.65	4.65	4.65	4.65	4.65	4.65	4.65
10 Year Spread to US (bps)	34	30	25	20	10	5	0	-5	-10	-15	-20
United States											
Fed Funds	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625
US 10 Year Bond	4.68	4.65	4.60	4.55	4.55	4.60	4.65	4.70	4.75	4.80	4.85
New Zealand											
Cash	2.50	2.75	3.00	3.50	3.75	4.00	4.00	4.00	4.00	3.75	3.75
90 Day Bill	2.93	3.00	3.40	3.75	4.00	4.20	4.20	4.20	4.15	3.95	3.95
2 Year Swap	3.66	3.70	3.95	4.10	4.25	4.20	4.20	4.15	4.15	4.10	4.10
10 Year Bond	4.72	4.55	4.65	4.80	5.00	5.05	5.05	5.05	5.05	5.05	5.05
10 Year Spread to US (bps)	4	5	15	25	45	45	40	35	30	25	20

Exchange rate forecasts

	Latest (7 Aug)	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28
AUD/USD	0.7026	0.71	0.72	0.72	0.73	0.73	0.73	0.73	0.72	0.72	0.72
NZD/USD	0.5864	0.59	0.60	0.62	0.64	0.65	0.66	0.66	0.66	0.66	0.66
USD/JPY	158.38	162	160	159	158	156	154	152	150	148	146
EUR/USD	1.1524	1.16	1.17	1.18	1.19	1.20	1.21	1.22	1.22	1.21	1.21
GBP/USD	1.3454	1.35	1.35	1.36	1.37	1.38	1.39	1.40	1.41	1.41	1.40
USD/CNY	6.7471	6.75	6.70	6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30
AUD/NZD	1.1982	1.20	1.19	1.16	1.14	1.12	1.11	1.10	1.10	1.10	1.10

Australian economic forecasts

	2026				2027				Calendar years			
% change	Q1	Q2(f)	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)	2025	2026(f)	2027(f)	2028(f)
GDP %qtr	0.3	0.0	0.1	0.3	0.4	0.4	0.4	0.4	–	–	–	–
%yr end	2.5	1.6	1.3	0.7	0.9	1.2	1.4	1.5	2.5	0.7	1.5	2.6
Unemployment rate %	4.2	4.4	4.6	4.9	5.0	4.9	4.9	4.9	4.3	4.9	4.9	4.5
Wages (WPI) (sa) %qtr	0.8	0.8	1.0	0.8	0.8	0.8	0.8	0.8	–	–	–	–
%yr end	3.3	3.2	3.4	3.4	3.4	3.4	3.2	3.2	3.4	3.4	3.2	3.4
Headline CPI %qtr	1.4	0.6	1.3	1.0	0.7	0.6	0.9	0.5	–	–	–	–
%yr end	4.1	3.9	3.9	4.3	3.7	3.7	3.3	2.8	3.6	4.3	2.8	2.6
Trimmed Mean CPI %qtr	0.8	0.8	1.0	0.8	0.8	0.7	0.7	0.7	–	–	–	–
%yr end	3.5	3.6	3.6	3.5	3.4	3.3	3.0	2.8	3.4	3.5	2.8	2.4

New Zealand economic forecasts

	2026				2027				Calendar years			
% Change	Q1	Q2(f)	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)	2025	2026(f)	2027(f)	2028(f)
GDP %qtr	0.8	–0.1	0.6	0.7	1.0	0.5	0.6	0.7	–	–	–	–
Annual avg change	0.8	1.6	1.8	1.9	2.0	2.1	2.4	2.6	0.3	1.9	2.6	3.2
Unemployment rate %	5.3	5.6	5.5	5.4	5.3	5.2	5.1	4.9	5.4	5.4	4.9	4.4
CPI %qtr	0.9	1.5	0.7	0.4	0.5	0.2	0.7	0.4	–	–	–	–
Annual change	3.1	4.1	3.7	3.5	3.1	1.8	1.9	1.9	3.1	3.5	1.9	2.0

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